

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
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HA-05 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
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DRAFTED BY ARA/AND/P:DIKEMP
APPROVED BY ARA:JBUSHNELL
-----002852 270310Z /20
P 270050Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 135573

E.O. 11652:GDS

TAGS:EFIN PINT PE

SUBJECT:AMBASSADOR SEES DEPUTY ASSISTANT SECRETARY -
MOYREYRA'S VISIT

1. IN MEETING WITH DAS BUSHNELL, MAY 25, PERUVIAN AMBASSADOR GARCIA BEDOYA INFORMED HIM THAT CENTRAL BANK PRESIDENT MOYREYRA WAS OPTIMISTIC THAT WITH ROLLOVER UNTIL DECEMBER FROM BANKS HE COULD WORK OUT NEW STANDBY AGREEMENT WITH IMF. THE FUND, HE SAID, WOULD PROBABLY WANT TO WAIT TO SEE AUSTERITY MEASURES FULLY IMPLEMENTED BUT HE THOUGHT TALKS COULD BEGIN WITHIN A MONTH. MOYREYRA MET WITH WITTEVEEN AND IMF STAFF MEMBERS ON MAY 24, AND WHILE FORMER AGREED THAT FUND COULD NOW MAKE ANOTHER, MORE POSITIVE ORAL STATEMENT TO BANKS, ROBICHEK AND STAFF ADHERED TO HARD LINE - MAKING UNACCEPTABLE COMMENTS DAMAGING TO PERU'S DIGNITY AND SUGGESTING THEY MIGHT INSIST ON FURTHER MEASURES FROM THE GOP. G-B INFORMED BUSHNELL THAT MOYREYRA, WHO HAD RETURNED TO NEW YORK AND WOULD PROBABLY DEPART FOR LIMA EVENING OF

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MAY 25, IS WORKING ON A REVISED EXCHANGE RATE POLICY WHICH HE IS NOT YET READY TO DISCLOSE AND HOPES IMF WILL NOT PUSH HIM TO EXCESSIVE MEASURES. AMBASSADOR SAID GOP IS COUNTING ON USG SUPPORT WITH FUND.

2. BUSHNELL REPLIED THAT USG IS ENCOURAGED THAT PERU HAS MOVED A LONG WAY TOWARDS A VIABLE ECONOMIC PROGRAM AND WE

WILL BE IN CLOSE TOUCH WITH THE FUND AS SITUATION DEVELOPS. HE ADDED, HOWEVER, THAT HE KNEW OF AT LEAST ONE NEWS STORY FOCUSING ON THE GENERAL HARD LINE OF IMF POLICY BEING PREPARED AND NOTED THAT SHOULD SUCH AN ARTICLE BE PUBLISHED, IT WOULD MAKE US CONTACTS WITH THE FUND MORE DELICATE IF IT IS NOT TO APPEAR THAT WE ARE TAKING SIDES.

3. THE DAS THEN TURNED TO SUBJECT OF ARRESTS OF LABOR AND POLITICAL ACTIVISTS IN PERU, EXPRESSING HOPE THAT GOP WOULD BE MODERATE IN ITS ACTIONS AND ESPECIALLY NOT INTERFERE WITH THOSE INVOLVED IN THE CONSTITUENT ASSEMBLY ELECTIONS. G-B SUPPOSED THAT DETENTIONS WOULD BE TEMPORARY.

4. G-B AGAIN RAISED SUBJECT OF EXIM LOAN TO PURCHASE INTERMEDIATE GOODS AS WELL AS POSSIBILITY OF INCREASING PL-480 TITLE II ASSISTANCE. BUSHNELL SAID HE COULD MAKE NO PROMISES OF FUTURE EXIM SUPPORT, BUT THAT HE HAD TALKED WITH CHAIRMAN MOORE AND SUBJECT COULD ONLY BE SERIOUSLY DISCUSSED ONCE PERU HAS AGREED ON NEW STANDBY WITH IMF STAFF. CONCERNING INCREASED TITLE II ASSISTANCE, DAS NOTED THAT AMBASSADOR SHLAUDEMAN HAD EXPLORED POSSIBILITY WHILE IN WASHINGTON AND WE WOULD BE FOLLOWING UP ON THAT INQUIRY. BUSHNELL ALSO NOTED THAT WHILE BUDGET IS TIGHT THERE IS A POSSIBILITY OF A LIMITED INCREASE IN TITLE I THIS YEAR.

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5. ON TAKING HIS LEAVE, G-B SAID HE WAS PLANNING ON TRAVELLING TO LIMA ABOUT JUNE 8 FOR DISCUSSIONS CENTERING ON RELATIONS WITH BANKS AND THE FUND. VANCE

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